



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

August 1, 2012

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To: Supervisor Zev Yaroslavsky, Chairman
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From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name and title.

SACRAMENTO UPDATE

Executive Summary

This memorandum contains reports on the following:

- **Pursuit of County Position to Support AB 1453 (Monning) and SB 951 (Hernandez).** These measures would establish California's Essential Health Benefits benchmark plan under the Federal Patient Protection and Affordable Care Act. Support of AB 1453 and SB 951 is consistent with Board policy to support proposals which define essential health benefits in a comprehensive manner that promote high-quality patient-centered, and cost-effective health care services. Therefore, **the Sacramento advocates will support AB 1453 and SB 951.**
- **Estimated County Impact from the FY 2012-13 State Budget Act.** This report provides an updated analysis of County impact from the FY 2012-13 State Budget Act. Based on additional information recently received, the estimated County impact is now projected to be \$114.6 million in FY 2012-13. The increase in the projected loss does not affect the County General Fund because the loss of funding is primarily attributed to \$61.3 million in reductions to the CalWORKs Program. State Budget changes affecting the County are described in detail below.

"To Enrich Lives Through Effective And Caring Service"

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Pursuit of County Position on Legislation

AB 1453 (Monning), as amended on April 17, 2012, and **SB 951 (Hernandez)**, as amended on April 17, 2012, are similar measures which would establish California's Essential Health Benefits benchmark plan under the Federal Patient Protection and Affordable Care Act (ACA).

Federal law establishes the ACA which requires most Americans to have health insurance by 2014 and, among other provisions, requires that insurance plans sold to individuals and small businesses cover ten essential health care benefits. In December 2011, the Federal Health and Human Services (HHS) Center for Consumer Information and Insurance Oversight released a bulletin seeking comments on HHS' initial regulatory approach to define the essential health benefits under the ACA. HHS proposed that benefits be defined using a benchmark approach, which allows states the flexibility to select a benchmark plan that reflects the scope of services offered by a typical employer plan. If a state does not choose a benchmark plan, the default benchmark plan would be the largest plan by enrollment in the largest product in the small group market, which is the Kaiser Health Maintenance Organization (HMO) in California. The ten general categories for covered services are: 1) ambulatory patient services; 2) emergency services; 3) hospitalization; 4) maternity and newborn care; 5) mental health and substance use disorder; 6) prescription drugs; 7) rehabilitative and habilitative services and devices; 8) laboratory services; 9) preventive and wellness services and chronic disease management; and 10) pediatric services, including oral and vision care.

AB 1453 and SB 951 would establish the Kaiser Small Group HMO plan contract as California's Essential Health Benefits benchmark plan. These bills would require qualified health plans or policies to include the ten covered services referenced above, and would allow additional benefits to be offered as well. The provision of these bills would be applied to all plans or policies, regardless of whether they are offered inside or outside of the California Health Benefit Exchange.

According to the Departments of Health Services and Mental Health, mandating a minimum threshold of coverage for patients would result in a broader array of preventive health services, including mental health treatment, which, in turn, would decrease avoidable trips to emergency rooms. Additionally, the expanded coverage under the ACA, coupled with a minimum level of benefits, could result in an overall healthier patient population which could significantly reduce the need for avoidable specialty care referrals.

The Departments of Health Services, Mental Health, and this office support AB 1453 and SB 951. Therefore, consistent with Board policy to support proposals which define essential health benefits in a comprehensive manner that promote high-quality patient-centered, and cost-effective health care services, **the Sacramento advocates will support AB 1453 and SB 951.**

AB 1453 and SB 951 are supported by the Service Employees International Union, California Primary Care Association, Health Access, the California Mental Health Directors Association, Congress of California Seniors, Children NOW, and The Children's Partnership, among others. The measure is opposed by the California Association of Alcohol and Drug Program Executives and the California Chiropractic Association, unless it is amended to include chiropractic benefits.

AB 1453 is scheduled for a hearing before the Senate Appropriations Committee on August 6, 2012, and SB 951 is scheduled for a hearing before the Assembly Appropriations Committee on August 8, 2012.

Estimated County Impact from the FY 2012-13 State Budget Act

On June 27, 2012, Governor Brown signed the FY 2012-13 State Budget Act, which includes a \$91.5 billion spending plan that closes the \$15.7 billion State Budget deficit with a combination of ongoing and temporary cuts of about \$8.0 billion, \$6.0 billion in revenue assumptions and \$2.5 billion in other solutions.

As reported in the June 29, 2012 Sacramento Update, based on an initial review of the enacted State Budget, the impact to the County was estimated to be \$53.4 million; however, at that time there was insufficient information to determine the impact of social services program proposals. **Based on additional information recently received, the estimated County impact is now projected to be \$114.6 million in FY 2012-13. The increase in the projected loss does not affect the County General Fund because the loss of funding is primarily attributed to \$61.3 million in reductions to the CalWORKs Program.**

Attachment I outlines the overall County impact from the FY 2012-13 State Budget Act.

Key budget changes affecting the County impact include:

CalWORKs Restructuring. The final budget makes the following changes to the CalWORKs Program resulting in a State General Fund savings of \$469.1 million: 1) creates a prospective 24-month time limit on cash assistance and employment services for adults, and provides an additional 24 months to adults who meet Federal

work requirements; 2) provides counties some flexibility by allowing up to 20 percent of the adults to extend their time beyond 24 months to complete their educational goals or find employment; 3) provides two years for participants to transition to the new program and be prepared with the necessary skills to find employment; and 4) annual reporting requirements for child-only cases, among other changes.

Based on recent additional information from the Brown Administration, the reduction to the CalWORKs Program is offset by policy changes decreasing the overall statewide reduction to \$205.7 million to the CalWORKs Single Allocation which funds eligibility administration, employment services and CalWORKs Stage One Child Care. The \$205.7 million reduction to the Single Allocation includes: \$54.2 million for CalWORKs Eligibility, \$132.3 million for Employment Services, and \$19.2 million for Child Care, excluding the Cal-Learn program restoration.

The Department of Public Social Services (DPSS) estimates that the impact to the County is a reduction of \$61.3 million from the FY 2011-12 allocation. The California Department of Social Services is working on finalizing County-specific funding allocations which are expected to be released later this month. Additionally, **DPSS is working on a plan to mitigate the impact of this funding reduction. Our office will continue to work with DPSS and keep the Board advised.**

LEADER Replacement System. The final budget includes approximately \$23.4 million in State funding for a total of \$62.6 million (State, Federal and County), to fund the Los Angeles Eligibility, Automated Determination, Evaluation and Reporting (LEADER) Replacement System (LRS) in FY 2012-13. The previously reported State funding amount was \$30.6 million. This project will replace the current system for eligibility and benefit determination for CalWORKs, CalFresh, Medi-Cal and other social services programs. **DPSS indicates that the amount of State, Federal and County funding, including approximately \$23.4 million in State funding, would be sufficient for the development of LRS in FY 2012-13.**

California Department of Food and Agriculture Reduction. The final budget includes a reduction of \$2.5 million to the California Department of Food and Agriculture (CDFA) in FY 2012-13. This permanent, unallocated reduction is in addition to \$31.0 million in State General Fund reductions previously adopted.

As previously reported, the Department of Agricultural Commissioner/Weights and Measures (ACWM) indicates that this proposal will result in an additional statewide reduction of \$750,000 to High Risk Pest Exclusion (HRPE) program funding. **According to ACWM, based on the Department's recent negotiations with CDFA and county agricultural commissioners, this action will result in an estimated**

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County loss of \$200,000 in HRPE funding, which is a decrease of \$50,000 from the previously reported County loss of \$250,000. While this additional reduction in HRPE funding could create increased pest introduction risks, ACWM indicates that the impact to the Department's HRPE program will not result in the need to reduce positions or create lay-off/furlough issues.

Gas Excise Tax Sunset Elimination. The final budget removed the three-year sunset date to transfer new Highway User Tax Account (HUTA) revenues to the State General Fund that the Legislature approved on June 15, 2012 and instead shifted these funds on a permanent basis. The enacted budget transfers excise taxes on gasoline purchased for certain uses, including aviation, boats, agriculture vehicles and off-highway vehicles to the State General Fund, redirecting \$312.0 million in new HUTA revenues through FY 2012-13 and \$128.0 million in on-going fiscal years.

The Fire Department indicates that this action would have no impact to Fire lifeguard operations. The Department of Parks and Recreation indicates that this action would have a minimum impact to its off-highway vehicles (OHV) programs and may restrict statewide OHV land acquisitions in future years.

We will continue to keep you advised.

WTF:RA
MR:OR:IGEA:lm

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants

ESTIMATED IMPACT TO LOS ANGELES COUNTY FROM THE FY 2012-13 STATE BUDGET ACT

	Governor's May Revision Proposals	FY 2012-13 State Budget Act Impact
<u>Health</u>		
Dual Medi-Cal and Medicare Eligibles	0	0
<u>Mental Health</u>		
State Mental Hospital Adjustment Rate	(8,000,000)	(8,000,000)
<u>Social Services</u>		
CalWORKs Program Restructuring (Single Allocation Impact)		
- CalWORKs Eligibility	(34,750,000)	(15,700,000) ⁽¹⁾
- Welfare-to-Work Employment Services	(27,060,000)	(39,700,000) ⁽¹⁾
- Stage One Child Care	(8,250,000)	(5,900,000) ⁽¹⁾
Savings from Elimination of IHSS Domestic and Related Services	29,600,000	- ⁽²⁾
Savings from 7% Reduction in IHSS Service Hours	22,600,000	- ⁽²⁾
Child Support Services		
- Collections Suspension	(11,360,000) ⁽³⁾	(11,360,000) ⁽³⁾
- LCSAs Administrative Reduction	(2,900,000)	(2,900,000)
<u>Public Safety</u>		
Charge to Counties for DJJ Commitments	(7,200,000)	(1,680,000) ⁽⁴⁾
<u>Transportation</u>		
Gas Excise Tax Sunset		(210,000) ⁽⁵⁾
<u>Environment and Natural Resources</u>		
Department of Food and Agriculture Reduction		(200,000) ⁽⁵⁾
<u>General Government</u>		
Redevelopment Dissolution	TBD	TBD
Suspension of Most SB 90 Mandate Claims	(16,000,000)	(16,000,000)
Delay of Deferred Mandate Payments (Prior to FY 2004-05)	(13,000,000)	(13,000,000)
TOTAL	(\$76,320,000)	(\$114,650,000)

Notes:

- (1) This amount reflects a preliminary breakdown of the estimated \$61.3 million decrease to the County's CalWORKs Single Allocation.
- (2) Proposal eliminated from FY 2012-13 State Budget Act.
- (3) Estimate reflects \$3.62 million in State recoupment collections and Federal match of \$7.2 million.
- (4) FY 2012-13 Budget Act will apply charge of \$24,000 per year per youth committed to DJJ to counties prospectively beginning July 1, 2012.
- (5) New provision added to FY 2012-13 State Budget Act.

This table represents the estimated loss/gain of State funds based upon the FY 2012-13 State Budget actions. It does not reflect the actual impact on the County or a department which may assume a different level of State funding or be able to offset lost revenue.